



# Privatization in Croatia: Standpoint of Croatian Citizens in 1998 and 2018

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## Abstract

**Background:** The break-up of Yugoslavia has led to a transition from planned to the market economy. The main task of transition is privatization, which implies transferring most of the former social ownership to private individuals. The privatization process has marked the end of the twentieth century in Croatia and still carries many unanswered questions that have arisen because of the persistent need for privatization in the former, unconsolidated state. **Objectives:** The main objective of the paper is to make a comparison of respondents' perception of Croatian privatization in 2018 compared to 1998. The aim is to investigate the similarities and changes in the attitudes of the Croats regarding the privatization processes that Croatia has engulfed in several stages. **Methods/Approach:** The survey was conducted on a sample of one hundred Croatian citizens about their perception of the privatization process in Croatia in 2018. Results of the survey in 1998 and 2018 were compared using the chi-square test. **Results:** The respondents in 2018 are convinced that the main goals of privatization have not been realized. Citizens' distrust towards the system and institutions conducting the privatization process is greater in 2018 compared to 1998. **Conclusions:** Respondents' perception of privatization has not changed significantly concerning the 20-year gap. Dissatisfaction due to the unfulfilled fundamental goals is still present, as is the need for revision of privatization.

**Keywords:** privatization; Croatia; Croatian economic system

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## Introduction

Privatization of the economy is the process of transforming a state-controlled and central planning system into a market system, firmly and consistently based on the principles of private ownership (Bjørnskov and Potrafke, 2011; Čengić, 1995). Privatization is also defined as the necessary and desirable transfer of the entire or greater part of the ownership of the public (or social) sector to private individuals (Kalogjera, 1993). The main objective of privatization is to achieve more efficient and competitive business enterprises because the state has been proved to be a bad manager (Bonneau and Shoven, 2011; Bennett et al., 2007; Njavro, 1993).

The peculiarities of the Croatian transition process stem from the ownership structure, which was characterized by the social form of ownership instead of the usual state ownership that dominated the planned economies (Arsov and Naumoski, 2014). Despite the great influence of the state and political structures on the economy, the majority of SMEs had a great right to freely decide on the size and structure of production, considering market requirements (Vukšić, 2016). There was also a great deal of autonomy related to income distribution, consumption, and savings, which created a stronger identification of employees with the company (Pejić Bach et al., 2018). Large companies, on the other hand, remained heavily influenced by state and political factors. Given the volatility of the development function, it was impossible to achieve the mobility of capital and direct it towards the most profitable investments (Rogić, 1998).

The Croatian economy has developed significantly in the last 20 years, but the relatively rapid privatization in Croatia was marked by numerous controversies regarding the efficacy, abuse and ultimate benefits to the national economy (Josipović, 2018; Jelić et al., 2006,). At the beginning of the privatization process, the Croatian citizens had a significant trust regarding the transition. Due to the abovementioned problems with privatization, it is likely that this trust has decreased, which is reflected in the media and various public events (Vušković, 2020; Gatarić, 2019; Ožanić, 2016; Protulipac, 2014; Iveković, 2012)

To shed some light on this issue, the paper aims to acquaint the current perception of Croatian citizens about the privatization process, the goals, the winners and losers of privatization in Croatia, and to compare these results with the results of research conducted by Aleksandar Štulhofer on the perception of the privatization process in Croatia in 1998 and 1996 (Štulhofer, 1999).

The organization of the paper is as follows. Section 2 presents a brief overview of the chronology of Croatian privatization through a comparison of its features. Section 3 presents the used methodology and data while Section 4 shows the results. Section 5 summarizes the paper with the concluding remarks.

## Privatization in Croatia

Conversion into private property took place in four stages (Nikić, 2004). Privatization in Croatia began in 1989 with liberalization as a response to the actual crisis. Transformation of ownership and adoption of the Law which regulated the implementation represented the first phase of Croatian privatization (1991-1994). The emphasis was on protecting strategically important state-owned enterprises from privatization. Other companies were subject to sale, and employees were given priority in buying shares on preferential terms. However, the question arose as to whom the ownership of individual companies belonged after the collapse of the old system. In his work, Njavro (1993) cites examples of Hungary and Poland where the ownership problem was solved relatively easily. Companies were assumed to be state-owned.

On the other hand, in Yugoslavia was not known who the real owners of the capital were. The funds were perceived as the social property that was placed on the use of workers. The disadvantage of the first phase was the subjective valorisation of the value of enterprises due to the prompt sale and war.

The second phase was marked by economic stabilization which affected the competitiveness of the companies. During this period, the companies that avoided the first privatization wave entered the privatization process. The Croatian Privatization Fund and the Pension Fund disposed of their assets (Franičević, 2002). The third wave of privatization was political in nature, characterized by mass coupon privatization and the distribution of shares of questionable quality to the general public. Specifically, those companies facing bankruptcy were for sale. The fourth stage of privatization continued the sale of bankrupt companies. However, an initiative to revise conversion and privatization emerged on suspicion of numerous frauds and criminal acts (Bendeković, 2000).

In the case of privatization, the state took over the entire management mechanism on all the essential items related to the company. This form of asset centralization was described by Gregurek (2001) as "original state-level accumulation". The lack of strategic goals, the neglect of the market as a reference in determining the value of the company, and the frequent changes in institutional rules and legal frameworks had affected the uncertainty of potential prospective investors and led to numerous frauds not characteristic of Central European countries.

The goals of privatization have changed and adjusted depending on the economic and political situation in the country. The political elite sought to pursue privatization as socially just and at the same time economically efficient. However, it became clear that the privatization model and its implementation were entering projects of high social, economic and political risk (Čengić, 2000). The goals of the transformation of social enterprises were: protection of national wealth, the introduction of fresh capital into the economy, start-up of entrepreneurship and the wide dispersion of ownership (Kalogjera, 1993). The normative goals that were proclaimed were largely not met and privatization was largely reduced to filling the state budget and developing a primitive type of capitalism. The result was an insufficient number of new jobs and neglect of entrepreneurship as well as high administrative barriers that prevented many business initiatives. There was a lack of managers and early retirement indirectly encouraged by the ruling party (Šokčević, 2007).

There was also no benefit to consumers in the form of lower prices due to market liberalization (Čučković, 2002). Privatization had not fulfilled its purpose given the large number of enterprises that had outdated technology and a large number of employees. The demand for this type of enterprise was very low. However, privatization reduced the public debt, but not successfully enough because the majority of public and state-owned enterprises were the main generators of budget alimony losses (Grgurek, 2001). The negative effects of privatization are reflected in the fact that a large number of owners did not have any development concept and that they were buying companies for trading purposes only. Converting debt to equity led to the fact that a large number of companies were privatized at low prices (Lasić, 2000). This resulted in minimal liability of the owner towards the company, fragmentation of large enterprises and sale of assets. Manufacturing and maintaining a business were not the primary task of new owners; so many people remained unemployed and became a burden to the state as a social category.

Table 1 presents the characteristics of the Croatian economy in 1990. Privatization in Croatia began in the 1980s when business executives disregarded control over

companies to turn them into private property (Stojcic, 2012). This was achieved by diverting money into private companies and selling the assets of the state to enterprises (Olgić Draženović and Kusanović, 2016; Haramija and Njavro, 2016). The liberalization led to the fact that in 1990 the number of private companies was 6.785, while the number of socially owned enterprises was 3.637. However, despite the numerical superiority of private enterprises, state-owned companies employed 97.6% of the workforce and their strength manifested itself in owning capital of 57.6 billion German marks.

Table 1  
Croatian economy in 1990

Form of ownership	Firms		Labour employed		Social capital	
	Number	%	Number	%	Mil. DM	%
<b>Social firms</b>	3.637	35,5	1.105.873	97,6	57.609,3	100,0
<b>Public social firms</b>	98	2,7	123.097	11,1	18.089,3	31,4
<b>Private firms</b>	6.785	62,5	19.602	1,7	-	-
<b>Cooperative firms</b>	284	2,6	5.290	0,5	-	-
<b>Mixed firms</b>	153	1,4	2.001	0,2	-	-
<b>Total</b>	10.859	100,0	1.132.766	100,0	57.609,3	100,0

Source: Agency for Restructuring and Development (1992)

Table 2 presents the characteristics of the Croatian economy in 2018. A significant increase in the total number of active business entities can be seen if a comparison is made with the situation in 1990. The number of mixed firms increased as did the number of cooperative companies. But, in particular, the total number of private companies increased markedly. On the other hand, the number of state-owned enterprises decreased. This is supported by a series of privatization processes over the years. Also, the percentage of legal entities whose ownership is not monitored is evident.

Table 2  
Croatian economy in 2018

Form of ownership	Number of firms	%
<b>State-owned firms</b>	1.238	0,8
<b>Private firms</b>	125.300	83,6
<b>Cooperative firms</b>	936	0,6
<b>Mixed firms</b>	897	0,6
<b>No ownership firms</b>	21.602	14,3
<b>Total</b>	149.973	100,0

Source: Central Bureau of Statistics (2019)

However, privatization also had positive effects: the transition from a system in which self-management was declared null and void to a system of known owners, harmonization with European standards and thereby facilitating participation in the international market. Gregurek (2001) cites as positive effects the direct appropriation of formal legal responsibility and economic risks in the decision-making process, as well as the formation of a market-based macroeconomic system.

## Methodology

### *Research in 1996 and 1998*

The study, which served as a foundation and landmark for this research was conducted in 1998 under the name of the "Privatization in the eyes of the Croatian public". It was conducted on a representative sample of 1001 national subjects. Štulhofer occasionally compares data from his research with data from a study called "Sociocultural Aspects of Transition", which was conducted on a sample of 1056 respondents (Štulhofer, 1998). Considering many indicators that influence the perception of this topic, (i.e. age, tradition, education...) there was a need to research a more representative sample. Therefore, the basic assembly, made by the citizens of Croatia, is divided into strata geographically.

In his research, Štulhofer (1999) speaks about the inherited obstacles that affect the perception of privatization, thus distinguishing economic traditionalism that is expressed in older generations which is prone to state paternalism, and one of the characteristics of Croats is the escape from politics because of the perception that it is a dishonest occupation. Situation ally induced barriers have led to an increase in opportunism, especially among younger generations, which can be interpreted by the rapid increase in social inequalities characteristic of all transition countries.

The indicators of Štulhofer (1999) are age (the older the respondent is, the longer he or she is socialized in the former system and shows sympathy and sentiment towards the social system of the time), a tradition whose main characteristic is a tendency for traditional authority and civility that signifies individualistic values and belief in legal and rational authority.

### *Research in 2018*

To compare the results of the Štulhofer (1999) with the current attitudes of Croatian citizens after 20 years, the survey was conducted in 2018. Respondents were randomly selected from the telephone directory depending on the county they live in and a total of 100 respondents participated in the survey. The research was conducted from May 21st to June 25th, 2018. In its latest census for 2011, the Central Bureau of Statistics (2013) states that 4,284,889 people live in Croatia. Due to differences in the number of inhabitants per county, each county makes a single stratum, depending on the ratio of its population to the number of residents in Croatia.

The survey collected data on the respondents' specific behaviour, attitudes, opinions, desires, and expectations regarding privatization. It provides insight into the indicators that influence attitudes towards privatization, as well as the relevance of the media and the wider social environment to developing attitudes on the topic of research. The survey questionnaire consists of a total of three questions that are part of sociodemographic data and eleven questions related to the research topic.

On two questions, related to the main goals of privatization and typical features of a Croatian entrepreneur, the respondents were entitled to multiple choices of answers. On four questions, concerning the biggest winners and losers of privatization, opinion on the need for privatization audit and privatization of public companies, they had to opt for one of the offered answers. The remaining five issues (trust in core institutions, satisfaction with privatization and negative effects of privatization, the success of privatized companies and achievement of main goals) statements were made that the respondents were expected to agree with. Processing and analysing the data an image of the problem being researched is created and compared with data from a previous survey.

In this research, sociodemographic data (gender, age, and education level) were used to determine differences in respondents' perceptions of privatization. The research showed that individuals with a graduate degree have the most negative attitude towards privatization compared to respondents with other levels of education. A total of 96% of respondents with completed primary or secondary education consider job preservation as the main unfulfilled goal of privatization.

The results of both pieces of research are compared using the chi-square test, which is utilized for investigating group differences based on the frequencies. However, the data collected for the 2018 research allowed us to conduct additional comparisons that are not presented in the Štulhofer (1999).

## Results

Geographically, the majority of respondents (53%) from four Dalmatian counties consider socially-owned enterprises more successful than privatized ones, while respondents from the City of Zagreb largely (50%) agree that privatized enterprises are more successful. The most striking result of the research is the fact that respondents from 18 to 35 years have the same negative attitude about the entrepreneur's characteristics as those over 66 years so that only every seventh respondent between the ages of 18 and 35 chose one positive characteristic of a Croatian entrepreneur. Also, interestingly, it is the fact that in 92% of cases women provided answers that were neutral in value ("I do not know, I cannot evaluate, nor do I agree or disagree"), unlike men who gave more exact answers.

Generally, the media, which represented one of the two main sources of information on the topic, had an important role in creating a perception of privatization. However, interpersonal communication in the family and close social groups was considered as much more valuable and reliable communication than the "media campaign". More precisely, salary non-payment, cancellations and small shareholders blackmailing raised doubts about the truth about privatization. Namely, based on the life experience of citizens as employees, the lack of confidence in the official versions of the privatization results was justified (Šokčević, 2007). It was very often in the service of the government that transmitting strictly controlled information resulted in the suspicion of citizens.

The results of the research according to the areas of interest are presented below.

### *The confidence of Croatian citizens in basic institutions*

Confidence in the legal system of the Republic of Croatia and the Government has fallen sharply. Namely, while in 1998 more than 80% of the respondents had a certain level of trust in the Legal System and the Government (Table 3), in 2018 the percentage of trust in the judiciary was only 5%, while the confidence in the Government of the Republic of Croatia was 17% (Table 4).

Table 3

The confidence of Croatian citizens in basic institutions (1996 and 1998)

Category	The degree of agreement with the statement					
	Complete confidence		Partial confidence		Total distrust	
	1996.	1998.	1996.	1998.	1996.	1998.
<b>Legal system</b>	22%	9%	69%	76%	10%	15%
<b>Croatian Government</b>	20%	9%	69%	71%	11%	20%

Source: Štulhofer, A. (1999)

Table 4

The confidence of Croatian citizens in basic institutions (2018)

Statement	The degree of agreement with the statement		
	Complete confidence	Partial confidence	Total distrust
<b>I believe in the judiciary of the Republic of Croatia.</b>	5%	29%	66%
<b>I trust the Government of the Republic of Croatia.</b>	17%	25%	58%

Source: Author's research (2018)

Note: Sample for 2018 is 100

Mistrust of both institutions of the system has increased in 2018. This can be explained by the fact that in 1998 there was still fresh experience gained from the war and there was optimism that the institutions would perform their tasks better in peacetime. Additionally, there was an opinion that positive effects could only be observed over a long period.

Chi-square test indicates that the differences between the confidence of Croatian citizens in the legal system are statistically significant at 1% between 2018 and 1996 ( $\chi^2=68.290$ ,  $p\text{-value}=0.000$ ) and 1998 ( $\chi^2=54.292$ ,  $p\text{-value}=0.000$ ). Besides, the chi-square test indicates that the differences between the confidence of Croatian citizens in the Croatian government are statistically significant at 1% between 2018 and 1996 ( $\chi^2=52.853$ ,  $p\text{-value}=0.000$ ) and 1998 ( $\chi^2=43.016$ ,  $p\text{-value}=0.000$ ).

### Overall satisfaction with the privatization

Data related to the satisfaction of the privatization process were expected due to the frequent topics of Croatian media on privatization fraud and a whole series of articles on irregularities and abuses during the privatization of the company. The results between 1998 and 2018 are not too different as can be seen in Table 5. In 2018, 10% of respondents were somehow satisfied with the process of privatization so far, while 69% said they were dissatisfied. In 1998, the ratios were as follows: 69% of respondents were dissatisfied, while 18% of respondents were satisfied with privatization so far. The negative notion of privatization is evident, and it is obvious that it is a "solid popular consensus" (Štulhofer, 1999). However, the chi-square test indicated that the differences are not statistically significant ( $\chi^2=4.652$ ;  $p\text{-value}=0.324$ ).

Table 5

Satisfaction with the current process of privatization (1998 and 2018)

Year	I completely disagree	I do not agree	I do not know	I agree	I completely agree	Chi-square
<b>2018</b>	50%	19%	21%	9%	1%	$\chi^2=4.652$ $p\text{-value}=0.324$
<b>1998</b>	47%	22%	13%	17%	1%	

Source: Author's research (2018) and Štulhofer, A. (1999)

Note: Sample for 2018 is 100

The dissatisfaction with privatization in the last twenty years has led to a negative perception of the respondents about further privatization and privatization of public companies. Results from the surveys conducted in 1998 and 2018 can be seen in Table 6.

Table 6

Further privatization of public companies (1998 and 2018)

Statement	1998	2018	Chi-square
Public companies do not have to be privatized.	64%	72%	$\chi^2=7.012$ p-value=0.030**
Public enterprises should certainly be privatized.	15%	20%	
I do not know.	21%	8%	

Source: Štulhofer (1999) and Author's research (2018)

Note: Sample for 2018 is 100; Sample for 1998 is 1001; \*\* statistically significant at 5%.

The percentage of respondents who oppose the privatization of public enterprises has increased from 64% to 72%, although Croatia is among the countries with a large share of state-owned enterprises, and the contribution to the budget of public enterprises is relatively small. Interestingly, even though wages in public companies are on average lower than wages in private companies, most respondents showed a preference for work in a public company. The reason lies in the certainty of the workplace and the impression of a job without stress and overwork. The fact that a large number of jobs have been created through kinship relationships should not be overlooked. The observed differences are statistically significant at 5% ( $\chi^2=7.012$ ; p-value=0.030).

### Privatization effects

A high percentage of respondents agree on the negative effects of privatization. Opinions did not change significantly during all these years, as can be seen from Table 7.

Table 7

Negative effects of privatization (1996, 1998, 2018) - % of agreement

Statement	1996	1998	2018	Chi-square (1996-2018)	Chi-square (1998-2018)
The ultimate effect of privatization is to deepen the gap between the rich and poor.	67%	67%	66%	$\chi^2=0.029$ p-value=0.864	$\chi^2=0.029$ p-value=0.864
People from powerful parties have mostly benefited.	71%	83%	91%	$\chi^2=12.995$ p-value=0.000***	$\chi^2=2.829$ p-value=0.092*
Workers suffered the most damage in privatization.	82%	73%	81%	$\chi^2=0.033$ p-value=0.856	$\chi^2=1.807$ p-value=0.179
Several families have created "business empires" suspiciously.	77%	86%	81%	$\chi^2=0.482$ p-value=0.488	$\chi^2=1.907$ p-value=0.341

Source: Author's research (2018); Štulhofer (1999)

Note: Sample for 2018 is 100; \*\*\* statistically significant at 1%; \* 10%

All respondents were generally (~67%) of the opinion that the ultimate effect of privatization was definitely to widen the gap between rich and poor. Namely, privatization brought the most benefits to the people from the parties in power, while the workers of privatized enterprises were damaged mostly. The proportion of like-minded people has grown progressively since 1996. Finally, in 2018, 91% of the

respondents classify powerful parties as privatization beneficiaries and 81% of them consider workers as an affected party. About 80% of all respondents (regardless of the survey year) also think that several families have created "business empires" in a very dubious way. Chi-square indicates that there are no significant differences for most of the statements. However, the attitudes of the respondents regarding the benefits of the people from powerful parties are statistically different between the citizens in 2018 and 1996 at 1% ( $\chi^2=12.995$ ; p-value=0.000) and between the citizens in 2018 and 1998 at 10% ( $\chi^2=2.829$ ; p-value=0.092).

Table 8 presents the attitudes of the respondents regarding the competitiveness of privatized companies in 1998. There are considerable doubt and divergence of opinion regarding the increased competitiveness of privatized companies. As can be seen at the bottom of Table 7, a total of 33% of respondents (in 1998, only 15% of respondents according to the Table 8) believe that privatized companies are more successful than former companies. This represents a major obstacle to the development of entrepreneurship and demonstrates a tendency for state paternalism that adversely affects the economic situation in the country. On the other hand, almost 30% of respondents (in both surveys) were unable to assess the dependence of business success on privatization. The reason for these results is reflected in the fact that the population is ageing, the "Baby Boomer" generation is retiring, the negative natural population growth is continuously increasing and some of the answers related to the former socially-owned enterprises stem from sentiment towards youth and subjective reasons.

Table 8  
Competitiveness of privatized companies (1998)

Statement	%
Social enterprises were more successful.	35
Privatized and socially-owned enterprises are equally successful.	21
Privatized companies are more successful.	15
I do not know; I cannot rate.	29

Source: Štulhofer (1999)

### Objectives of privatization

Table 9 presents the response of the citizens in 1998 regarding the achievement of the main goals of the privatization.

Table 9  
To what extent have the main goals of privatization been achieved? – Perception in 1998

Goals	Not achieved	I cannot evaluate	Fully achieved
Job preservation	80%	17%	3%
Employee welfare	83%	14%	3%
Business efficiency magnification	55%	36%	10%
Equitable distribution of social property	81%	16%	3%
The arrival of capable people in leadership positions	54%	36%	10%

Source: Štulhofer (1999)

Štulhofer (1999) emphasizes that Croatian citizens are characterized by economic traditionalism, which is strongly reluctant to take private initiatives and, by relying on state paternalism, tries to "freeze" the existing situation. Comparing the regulatory

objectives that the Government emphasized as the reasons for privatization and the goals that citizens linked to the notion of well-being, a discrepancy is detected. Preserving jobs remained recognized as a goal that was supposed to be primary in the process of privatization, but 80% of respondents believe that job stability was not preserved. Furthermore, one of the main goals of privatization should have been the fair distribution of social property according to the criterion that it belongs to those who created it. However, the equitable distribution of social property hasn't been fulfilled in the opinion of 81% of the respondents. The third objective was to achieve the well-being of employees. However, this goal has not been achieved either according to 83% of the respondents. Through privatization, it was also essential to increase business efficiency and enable the entry of capable individuals into management positions within the company. Though, slightly more than 50% of respondents believe that privatization has failed in these two respects as well.

Table 10

To what extent have the main goals of privatization been achieved? – Perception in 2018

Goals	Have not been realized	I cannot evaluate	They were realized	Chi-square (1998-2018)
Job preservation	84%	6%	10%	$\chi^2=9.128$ p-value=0.010**
Employee welfare	77%	8%	15%	$\chi^2=9.861$ p-value=0.007***
Business efficiency magnification	45%	23%	32%	$\chi^2=15.384$ p-value=0.000***
Equitable distribution of social property	84%	3%	13%	$\chi^2=15.199$ p-value=0.000***
The arrival of capable people in leadership positions	50%	19%	31%	$\chi^2=16.1164$ p-value=0.000***

Source: Author's research (2018)

Note: Sample for 2018 is 100; \*\*\* statistically significant at 1%; \*\* 5%

Table 10 presents the response of the citizens in 2018 regarding the achievement of the main goals of the privatization. Respondents' attitudes did not change significantly in comparison with the ones that have been formed in 1998. Still, the goals considered by the Croatian public to be of paramount importance in carrying out the privatization process have largely not been met. About 80% of respondents believe that the main objective hasn't been accomplished, as well as the goals related to employee well-being and fair distribution of social assets. On the other hand, opinions are divided when it comes to increasing business efficiency and the presence of competent leadership. Numerical, 45% of respondents believe that privatization has underperformed in terms of business efficiency magnification while 32% consider it to be successful on this point. The rest of the respondents (23%) remained restrained. The arrival of capable people in leadership positions is rated as follows: 50% consider the goal achieved, 31% disagree and 19% cannot evaluate the success of realization. Often, respondents' reasoning about the (in)ability of people in managerial positions at the time of social ownership is related to the planned economy and the lack of a market element in economic life, as well as frequent perceptions of executives as individuals without the responsibilities inherent in market leadership. Chi-square indicates that the observed differences between the attitudes of respondents in 2018 and 1998 are statistically for all the observed statements.

### *The biggest winners vs. the biggest losses*

Comparing data related to the winners and losers of the privatization process, a significant change in public perception is noticeable (Table 11). Unlike the 1998 survey, where, inter alia, members of only one ruling party were perceived as the biggest winners according to 89% of respondents, in 2018, 52% of respondents perceived the politicians as major winners regardless of their affiliation with the ruling or opposition bloc, reflecting the public's view on the saturation of politics and perception described by the syntagmatic "they are all the same". However, 39% generalizes - they believe that political leaders have come out of privatization as greatest winners. Withal, only 9% cite the managers of private companies as the top winners while none of the respondents holds the managers of state-owned enterprises as utmost privatization winners. In addition to the members of one leading party, Štulhofer's respondents estimated that the managers of the company, regardless of ownership, had made a visible profit in the privatization process. More specifically, 87% consider managers of private companies as winners and 78% managers of state-owned enterprises. The chi-square test indicates that all of the observed differences between 1998 and 2018 attitudes regarding the biggest winners are statistically significant at 1%.

Table 11

The biggest winners in the privatization process so far - % of agreement

	1998	2018	Chi-square (1998-2018)
<b>Politicians</b>	80%	52%	$\chi^2=17.469$ p-value=0.000***
<b>Members of the ruling parties</b>	89%	39%	$\chi^2=54.253$ p-value=0.000***
<b>Managers of privatized enterprises</b>	87%	9%	$\chi^2=121.875$ p-value=0.000***
<b>Managers of state-owned companies</b>	78%	0%	$\chi^2=127.846$ p-value=0.000***

Source: Štulhofer (1999); Author's research (2018)

Note: Sample for 2018 is 100; \*\*\* statistically significant at 1%

The workers of privatized enterprises are considered the biggest losers according to 58% of the respondents in 2018. They also point out exporters as losers (35% of respondents). In the 1998 survey, most respondents appear to have considered the overall economic dynamics, not just those aspects that are a direct consequence of the privatization process. So, 73% of the respondents put the peasants in the place of the biggest losers (Table 12).

Table 12

The biggest losers in the privatization process so far - % of agreement

	1998	2018	Chi-square (1998-2018)
<b>The workers of privatized companies</b>	62 %	58 %	$\chi^2=0.333$ ; p-value=0.564
<b>Experts</b>	49 %	35 %	$\chi^2=4.023$ ; p-value=0.045**
<b>Peasants</b>	73 %	7 %	$\chi^2=90.750$ p-value=0.000***
<b>The workers of state-owned enterprises</b>	34 %	0 %	$\chi^2=40.964$ p-value=0.000***

Source: Štulhofer (1999); Author's research (2018)

Note: Sample for 2018 is 100; \*\*\* statistically significant at 1%; \*\* 5%

### Privatization audit

Privatization audit is often debated, especially after the enactment of the Law on Non-Aging War Profit Offenses and Offenses of Transformation and Privatization. The economic effects of a privatization audit would be doubtful because more than 20 years have passed since the largest privatization wave and economic trends and technology have changed drastically. However, the results of this survey are consistent with the 1998 survey but with one exception - respondents' perception that audit is required solely in cases of large enterprises has increased dramatically (almost 7 times). This can be explained by the high resonance in the public through the media about privatization frauds exclusively in large companies, while controversial cases of privatization in small companies do not reach the general public (Table 13). Chi-square test has indicated that the differences regarding the privatization audit issue between 1998 and 2018 are statistically significant at 1% ( $\chi^2=35.061$ ; p-value=0.000).

Table 13

Privatization audit issue - % of agreement

	1998	2018	Chi-square (1998-2018)
<b>A revision of the entire privatization is required</b>	65 %	67 %	$\chi^2=35.061$ p-value=0.000***
<b>The audit is required only in cases of large enterprises</b>	4 %	27 %	
<b>The audit is only required in known cases of breach of law</b>	19 %	5 %	
<b>No revision is required</b>	4 %	1 %	
<b>I do not know</b>	8 %	0 %	

Source: Štulhofer (1999); Author's research (2018)

Note: Sample for 2018 is 100; \*\*\* statistically significant at 1%

### Features of a Croatian entrepreneur

Understandably, the perception of entrepreneurs in 1998 was negative because of the recent negative effects of privatization and resentment of the failure to achieve the set goals that citizens considered important to achieve well-being. However, there is no major change in the perception of the Croatian entrepreneur today (Table 14). Negative traits were considered to be typical traits of the average Croatian entrepreneur, who is perceived as a tycoon credited with political eligibility, immorality, and violation of the law (Štulhofer, 1999).

Table 14

Typical features of Croatian managers

Performance	1996 (rank)	1998 (rank)	2018 (rank)
<b>Dishonesty</b>	3	3	1
<b>Exploitations of others</b>	2	2	2
<b>Political connections</b>	1	1	3
<b>Industriousness</b>	4	5	4
<b>Intelligence</b>	5	4	5
<b>Improving the economy</b>	6	6	6

Source: Štulhofer (1999); Author's research (2018)

Note: Sample for 2018 is 100; 1 – the most relevant trait of a Croatian manager; 6 – the least relevant feature of a Croatian manager

In addition to these attributes, entrepreneurs are considered highly dishonest, exploitative and prone to politics to profit. They are neither distinguished by excessive

workmanship nor intelligence. Respondents throughout all these years consider that Croatian managers contribute the least to the improvement of the economic activities. Respondents' perceptions are also negative due to lack of encouragement of entrepreneurship by institutions (example of the Government and administrative barriers complained of by entrepreneurs or education that does not sufficiently encourage the development of entrepreneurial mindset).

## Conclusion

Privatization was expected to bring fresh capital, a more efficient management system, and investments into the impoverished companies (Petrović and Šonje, 2016). To compare the changes in attitudes of Croatian citizens regarding the privatization, the survey was conducted in 2018 and its results are compared to the research of Štulhofer et al. (1999).

Observing Croatia's privatization with a time lag of 20 years, it is noticeable that many of the privatization goals have not been accomplished. The main objectives of privatization were supposed to include: job preservation, employee welfare, business efficiency magnification, equitable distribution of social property and competent leadership. But, considering that the main goals of privatization in the opinion of the respondents were not achieved, there is a negative perception of the concept of private property and a generally negative connotation to privatization in Croatian society. Citizens' distrust of the system and institutions that conducted the privatization process (which should lead the privatization process in the future) is high and is increasing as time goes on. Mistrust is evident through every aspect of the research. The majority does not support privatization in this form and considers it unnecessary. Indeed, they believe that privatization caused significantly more negative effects than positive ones. Most notable is diversity among the population in terms of wealth, the evident privileged status and the associated benefits of powerful politicians and deprivation of the working class. On the other hand, there has been very little benefit from the increased competitiveness of transformed companies. Moreover, many believe that state-owned enterprises were more successful. Particularly worrying is the negative perception of the Croatian entrepreneur. Namely, the Croatian entrepreneur is associated with dishonesty, exploitation of the environment, well-being conditioned by political cohesion, laziness, lack of intelligence and a poor effect on economic development.

Moreover, in many cases, there has been an exploitation of positions of power and the permanent destruction of the acquired enterprise. Borrowing from credit institutions was necessary since the privatization actors had virtually no sufficient capital. The modus operandi consisted of borrowing new owners from banks since they did not have any equity to buy shares in the companies. The accumulation of funds that may have existed in certain companies for research and development, new products or technological renewal spores is mostly inappropriately, and the constant borrowing and buying up of new businesses maintained a vicious cycle of survival (Gupta, 2005, Kraff and Jankov, 2005).

The limitations of this research that need to be taken into account are the following. The most evident limitation appears in the form of sample size and the time limit at which the survey was conducted. One of the constraints is certainly the fact that the survey did not include the same respondents. In other words, the paper compared results that did not include identical participants. Also, the subjectivity of the respondents and the real familiarity with privatization is questionable for both surveys. Namely, a lot of information that respondents possess is the result of media reporting and expertise is left out. Therefore, the main recommendations for future research on

this topic could include the following: engaging more respondents and conducting the survey over a longer period. Also, the survey questionnaire could be more detailed and designed on a non-general basis. In other words, privatization could be observed on a case-by-case basis and should involve impartial experts.

Ultimately, to conclude, respondents' perceptions have not changed significantly since the 20-year gap, entrepreneurial thinking has not evolved, and the mentality of the average Croat progresses slowly from a desire for state paternalism to market conditions for an economic match. In the light of all the above, it is logical that most respondents advocate for full privatization audit to correct numerous injustices and damage inflicted to the biggest losers in privatization – workers and professionals.

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